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Message Text

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15
ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08

TRSE-00 LAB-06 SIL-01 OMB-01 AGR-20 DODE-00 H-02

INT-08 L-03 NSC-10 PA-03 SS-15 TAR-02 USIA-12 PRS-01

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TO SECSTATE WASHDC 5224
INFO AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
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E. O. 71652 N/ A
TAGS: EEC, EFTQ, ETRD
SUBJ: EC/ EFTA RULES OF ORIGIN

REF: A) STATE 89431
B) EC BRUSSELS 2665
C) EC BRUSSELS A-191
D) EC BRUSSELS A-192

1. FOLLOWING ARE ANSWER BY EC COMMISSION OFFICIAL
TO THE QUESTIONS IN REFTEL A:

A. THE TERMS " PRODUCTS USED" AND " MATERIAL AND PARTS USED"
REFER ONLY TO NON- ORIGIN ITEMS OFFICIAL STATED THAT
OTHERWISE THE TERMS WOULD NOT MAKE SENSE. HE
SAID THAT THE TERM " NON ORIGINATING" IS INCLUDED IN THE
CONDITIONS FOR ITEM 84.15, AMONG OTHERS, BECAUSE THE
CONDITIONS ALSO MENTION ORIGINATING PARTS. OFFICIALS
DECIDED TO INCLUDE THE TERM " NON- ORIGINATING" TO MAKE
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CLEAR THE DIFFERENTIATION.

B. THERE IS NO DIFFERENCE IN THE INTENT BETWEEN THE USE OF THE WORDS " MANUFACTURE" AND " WORKING, PROCESSING OR ASSEMBLY."

C. THE AMENDMENTS TO ARTICLE 25 OF PROTOCOL 3 WERE NOT INTENDED TO, AND SHOULD NOT, AFFECT THIRD COUNTRY TRADE. THE FIRST MODIFICATION TO ARTICLE 25 (TEXT IN REFAIR C) WAS INTENDED TO AVOID IMPOSITION, DURING THE TRANSITION PERIOD, OF DUTIES ON GOODS MOVING BETWEEN PRESENT AND FORMER MEMBERS OF THE EFTA, WHEN THOSE GOODS CONTAINED PARTS MANUFACTURED IN THE SIX OR IRELAND AND WOULD, UNDER THE OLD RULES OF EFTA AND, AFTER THE TRANSITION, UNDER THE NEW EC/ EFTA RULES NOT REQUIRE THE PAYMENT OF DUTIES. WITHOUT THIS FIRST MODIFICATION SOME PRODUCTS INCORPORATING PARTS FROM IRELAND AND THE SIX COULD HAVE MOVED, SAY, FROM THE UK TO SWEDEN DUTY FREE UNDER THE OLD RULES OF THE EFTA AND WILL, AFTER THE TRANSITION PERIOD, ALSO MOVE DUTY FREE UNDER THE NEW EC/ EFTA RULES. HOWEVER, DURING THE TRANSITION PERIOD THEY WOULD HAVE BEEN SUBJECT TO DUTIES. THE PROPOSED SECOND MODIFICATION OF ARTICLE 25 (TEXT IN REFAIR D), MERELY ADDS SEVERAL OTHER PRODUCTS TO THE ONES LISTED IN THE FIRST MODIFICATION OF ARTICLE 25. THE COMMISSION OFFICIAL CLAIMS THAT EC COUNCIL HAS ADOPTED MODIFICATION 1 BUT THAT THE OFFICIAL JOURNAL HAS NOT YET PUBLISHED THE DECISION. MODIFICATION NUMBER 2, WHICH HE CHARACTERIZED AS ONLY A DETAIL, HAS YET TO BE ADOPTED BY THE COUNCIL AS AN EC POSITION FOR CONSIDERATION IN THE MIXED COMMITTEES. ONLY AFTER ADOPTION BY THE MIXED COMMITTEES WOULD IT GO AGAIN TO THE COUNCIL FOR AN IMPLEMENTING DECISION.

2. IN THE COURSE OF THIS DISCUSSION EC OFFICIAL STATED THAT HE DID NOT AGREE THAT THE NEW RULES, WERE MORE RESTRICTIVE THAN THE PREVIOUS EFTA RULES. HE THOUGHT THAT THE NUMBER OF CASES WHERE THERE HAD BEEN LIBERALIZATION WOULD BALANCE THE NEW RESTRICTIONS. HOWEVER, WHEN ASKED FOR EXAMPLES OF THESE LIBERALIZATIONS, HE MENTIONED ONLY ONE: DURING THE TRANSITION PERIOD CERTAIN PRODUCTS FROM THE US WILL BE ABLE TO BE IMPORTED INTO THE EC UNDER BOND (FOR " PERFECTION ACTIVE"), WORKED SUFFICIENTLY TO BECOME ORIGINAL PRODUCTS AND THEN BE SHIPPED

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TO SWITZERLAND, OR OTHER ASSOCIATED, UNDER THE DECREASING DUTY RATES OF THE ASSOCIATION AGREEMENTS. THIS KIND OF TRAFFIC WOULD ALSO EXIST FOR THE SAME GOODS TRANSORMED IN THE ASSOCIATES AND SHIPPED TO THE EC. HE ALSO SUGGESTED THAT THE US EXAMINE CLOSELY THE DRAWBACK PROVISIONS OF THE RULES OF ORIGIN. THESE WILL ALLOW PARTS IMPORTED INTO, SAY, SWITZERLAND TO BENEFIT FROM DRAWBACKS IF THEY ARE INCORPORATED INTO PRODUCTS

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WHICH DO NOT BENEFIT FROM THE FREE TRADE AREA WHEN THEY
ARE EXPORTED TO THE EC.

3. THE OFFICIAL OBVIOUSLY WAS CONCERNED ABOUT US
COMPLAINTS ON RULES OF ORIGIN IN THE GATT EXAMINATIONS OF THE
EC/ EFTA ARRANGEMENTS.
GREENWALD

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